

MAKING CHINA PLAY BY THE RULES

China is breaking the rules – shutting out U.S. exports and exporting goods to the United States at below cost to wipe out U.S. manufacturers. As a result, American factories have closed, workers have been laid off and our trade deficit has exploded into the hundreds of billions of dollars. We can't let China off the hook. We must make sure that U.S. workers, businesses and farmers get a fair shake by making China play by the rules.

Addressing Chinese Currency Manipulation. China suppresses the value of its currency (the RMB), making China's exports cheaper than they would be if China allowed its currency to be set by the market. China's currency policy places a drag on U.S. economic growth and job creation. Nobel Prize winning economist Paul Krugman estimates that China's currency policy reduces U.S. GDP by 1.4 percentage points annually. According to Fred Bergsten of the Peterson Institute, allowing the RMB to appreciate to its real value would make U.S. manufacturers more competitive and create an estimated 500,000 U.S. manufacturing jobs here in the United States.

On September 29th, the House of Representatives passed critical legislation to address China's fundamental undervaluation of its currency by a vote of 348-79. The legislation, H.R. 2378, the Currency Reform for Fair Trade Act, is the first of its kind to pass the House of Representatives and signals a mounting concern among U.S. lawmakers regarding China's violation of its international obligations.

As a general matter, under the U.S. countervailing duty law, tariffs can be imposed on imports benefitting from foreign government subsidies for export, if it is shown that imports benefitting from such subsidies cause or threaten injury to a U.S. industry producing the same or similar products. To date, however, the Department of Commerce has declined to investigate foreign government currency practices as a countervailable subsidy. H.R. 2378 bill reverses Commerce practice and enables investigations of foreign government currency practices to proceed. The bill will also give the Obama administration additional leverage in negotiating with the Chinese to allow market forces to set the value of its currency.

Fighting Unfair Chinese Industrial Policies. China is trying to corner the market on solar panels and wind turbines and other job-creating "green" technologies. On September 30th, 178 Democrats and three Republicans sent a letter to the President urging "prompt action" to address unfair trade practices impacting the green technology sector – including China's failure to enforce intellectual property rights (IPR), unfair government subsidies, export restrictions on rare earth minerals, and indigenous innovation initiatives – that place U.S. manufacturers and workers at a competitive disadvantage.